

# Inspector General

United States  
Department *of* Defense



## **External Quality Control Review of the Defense Information Systems Agency Audit Organization**

Report Documentation Page				Form Approved OMB No. 0704-0188	
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1. REPORT DATE <b>07 AUG 2012</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2012 to 00-00-2012</b>	
4. TITLE AND SUBTITLE <b>External Quality Control Review of the Defense Information Systems Agency Audit Organization</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Department of Defense Office of Inspector General,4800 Mark Center Drive,Alexandria,VA,22350-1500</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>34</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

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## Acronyms and Abbreviations

AIGA	Assistant Inspector General for Auditing
DISA	Defense Information Systems Agency
DITCO	Defense Information Technology Contracting Organization
GAGAS	Generally Accepted Government Auditing Standards
IG	Inspector General
IRR	Independent Reference Review
IUID	Item Unique Identification
MIPR	Military Interdepartmental Purchase Request





**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

**AUG 7 2012**

**MEMORANDUM FOR DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY**

**SUBJECT: External Quality Control Review of the Defense Information Systems Agency Audit Organization (Report No. DODIG-2012-116)**

We are providing this report for your information and use. We have reviewed the system of quality control for the audit organization of the Defense Information Systems Agency Office of Inspector General (DISA IG) in effect for the period ended March 31, 2011. A system of quality control for DISA's audit organization encompasses the audit organization's leadership, emphasis on performing high quality work, and policies and procedures established to provide reasonable assurance of compliance with generally accepted government auditing standards (GAGAS). The DISA IG is responsible for designing a system of quality control and complying with its system to provide DISA IG management with reasonable assurance that its audits are performed and reported on in accordance with GAGAS in all material respects.

Our review was conducted in accordance with GAGAS and guidelines established by the Council of the Inspectors General on Integrity and Efficiency. We tested the DISA IG audit organization's system of quality control to the extent we considered appropriate. GAGAS require that an audit organization performing audits in accordance with GAGAS have an appropriate internal quality control system in place and undergo an external quality control review at least once every 3 years by reviewers independent of the audit organization being reviewed. An audit organization's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that they meet GAGAS requirements for quality control.

Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. In our opinion, the DISA IG audit organization's system of quality control for audits was suitably designed in accordance with quality standards established by GAGAS; however, we identified significant deficiencies that existed in the audit organization's compliance with its system of quality control. The significant deficiencies identified do not provide DISA IG management with reasonable assurance of performing and reporting in conformity with GAGAS in all material aspects. Accordingly, as a result of the significant deficiencies described in Appendix B, we are issuing a fail opinion on the DISA IG audit organization's system of quality control used on audits for the review period ended March 31, 2011.

Appendix A discusses our review of the DISA IG system of quality control and Appendix B contains matters that resulted in the fail opinion. In addition, Appendix C contains comments and observations where the DISA IG audit organization can improve its quality control program related to auditing practices. Appendix D contains a summary of the results of our interviews with DISA IG audit staff. Appendix E contains the scope and methodology of the review.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Ms. Carolyn R. Davis at (703) 604-8877 (DSN 664-8877).

*Carolyn R. Davis*  
for Randolph R. Stone  
Deputy Inspector General  
for Policy and Oversight

# Introduction

## ***Defense Information Systems Agency***

The Defense Information Systems Agency (DISA) is a combat support agency that engineers and provides command and control capabilities and enterprise infrastructure to continuously operate and assure a global net-centric enterprise in direct support to joint warfighters, national level leaders, and other mission and coalition partners across the full spectrum of operations. DISA is headquartered at Fort Meade, Maryland and employs about 16,000 military and civilian employees, and their contractor partners.

## ***DISA IG Audit Organization***

The DISA Office of the Inspector General (IG) is an independent office within DISA that conducts, supervises, monitors, and initiates audits, inspections, and investigations relating to programs and operations of DISA. DISA Instruction 100-45-1, "Inspector General of the Defense Information Systems Agency," dated April 11, 2008, establishes the mission of the Office of the Inspector General and delineates its responsibilities, functions, authorities, and relationships. The DISA IG audit organization is located at Headquarters and has a regional office at Scott Air Force Base in Illinois. The audit organization promotes continuous improvement in management controls by conducting audits and reviews of DISA operations and financial activities to evaluate operational efficiency and effectiveness, and performing follow-up procedures for prior audit recommendations. The IG reports to the Director/Vice Director, DISA. Additional details on the DISA IG audit organization and the scope and methodology for this review are contained at Appendix E.

# **Appendix A. System of Quality Control Was Suitably Designed**

With the exception of two areas, the system of quality control for the DISA IG audit organization was suitably designed. The DISA IG Audit Handbook (the Audit Handbook) contained policies and procedures that established internal guidance and audit requirements, and if properly followed, would provide reasonable assurance that GAGAS would be met.

The DISA IG audit organization performed work and issued reports covered in our review pursuant to the July 2007 version of the Audit Handbook. The Audit Handbook was updated in March 2011 to reflect current guidance as well as practical audit techniques and innovative strategies.

The two areas where the Audit Handbook did not contain specific policies and procedures for ensuring that audits and attestation engagements comply with GAGAS were:

- The Audit Handbook did not contain procedures for notifying the entity management when an impairment to independence is identified after the audit report is issued.
- The Audit Handbook did not contain procedures to ensure that the continuing education and training requirements for the agency's audit staff are met. Particularly, the Audit Handbook did not contain policies and procedures on how the audit organization documents and tracks formal continuing professional education and training.

Adding policies and procedures to the Audit Handbook to address these two areas is important to ensure auditors are fully aware of their responsibilities while performing work under GAGAS.

## **Recommendation, Management Comments, and Our Response**

### **Recommendation**

**We recommend that the Director, DISA:**

- 1. Update the Audit Handbook to include policies and procedures that:**
  - a. Explain the process for notifying the entity management when an impairment to independence is identified after the audit report is issued.**
  - b. Explain how the audit organization documents and tracks formal continuing professional education and training.**

### **Management Comments**

The Inspector General, DISA concurred. DISA will update the Audit Handbook to include explanations for the process for notifying the entity management when an impairment to

independence is identified after the audit report is issued and how the audit organization documents and tracks formal continuing professional education and training.

## **Our Response**

The management comments are responsive. When completed, we request the Inspector General, DISA, to provide us with a copy of the revised Audit Handbook.



# **Appendix B. Significant Deficiencies that Provide the Basis for the Fail Opinion**

We identified significant deficiencies that existed in the audit organization's compliance with its system of quality control. GAGAS 3.51 states that an audit organization's system of quality control encompasses the audit organization's leadership, emphasis on performing high quality work, and the audit organization's policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. The significant deficiencies identified do not provide the DISA IG audit organization with reasonable assurance of performing and reporting in conformity with generally accepted government auditing standards (GAGAS) in all material respects. Therefore, we are issuing a fail opinion on their external quality control review.

Significant deficiencies affecting our opinion on the DISA IG audit organization's compliance with its system of quality control are:

- Annual quality assurance reviews were not always performed and those performed were not effective;
- Nonaudit services were performed without an evaluation of potential independence impairments;
- DISA did not exercise sufficient professional judgment as evidenced by substantive noncompliance with GAGAS and their system of quality control on all four audit assignments reviewed;
- There was a lack of evidence of initial and final supervisory reviews of workpapers significant to supporting findings and conclusions;
- Auditors did not obtain sufficient and appropriate audit evidence to support findings and conclusions; and
- A letter report asserted a nonaudit service was conducted in accordance with GAGAS.

These significant deficiencies as identified above provide the basis for the opinion and our concern about the audit organization's inability to comply with the DISA IG quality control system to provide reasonable assurance of compliance with GAGAS.

Implementing the recommendations identified in this report would assist the DISA IG's efforts in improving their audit organization's system of quality control thereby helping to ensure compliance with GAGAS requirements.

## **Quality Assurance Program**

### ***Annual Quality Assurance Reviews Not Always Performed and Those Performed Deemed Not Effective***

The DISA IG audit organization did not meet GAGAS and Audit Handbook requirements to perform annual internal quality assurance reviews of their audits. Quality assurance reviews were performed in November 2008 and February 2011, but there were no reviews conducted

during 2010. The February 2011 review was performed in preparation of our review of the DISA IG audit operations being discussed in this report.<sup>1</sup> GAGAS 3.53f requires an audit organization to perform an ongoing, periodic assessment of work completed on audits and attestation engagements designed to provide management of the audit organization with reasonable assurance that the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice. GAGAS 3.54 states the audit organization should analyze and summarize the results of its monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action. The Audit Handbook states the Branch Chief will perform annual internal quality assurance reviews of audits using guidance adapted from the President's Council on Integrity and Efficiency (PCIE) Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General.<sup>2</sup>

Also, the DISA IG quality assurance program was not implemented in a manner to have maximum effectiveness. During our analysis of the quality assurance reviews that were performed in November 2008 and February 2011, we found that some of the issues identified by DISA IG auditors were similar to those identified during this external quality control review (refer to sections below). We also concluded that some of the issues the DISA IG auditors identified were not integral to ensure that audit policies and procedures related to the system of quality control were suitably designed and operating effectively in practice. In addition, the audit organization did not take measures to correct problems and practices that could help ensure compliance with applicable professional standards and quality control policies and procedures for GAGAS audits. Lastly, both reviews were completed by a senior auditor, even though the Audit Handbook states that Branch Chiefs will perform the annual reviews.

### **November 2008 Quality Assurance Review**

There were five audits included in the quality assurance review. The review identified systemic issues for all five audits; however, no recommendations were provided for corrective actions. To address the issues identified, the Inspector General, Deputy Inspector General, Assistant Inspector General for Auditing, and Branch Chiefs discussed each of the problem areas in some detail to determine a course of action, but took measures only to improve the audit planning process, and held a meeting with all of the auditors to ensure the auditors fully understood the areas needing improvement.

Also, some of the issues identified by the DISA IG quality assurance reviewer were similar to those identified during this external quality control review. For example, the DISA IG quality assurance reviewer noted that:

- for three of the five projects, the audit plan was not updated to reflect changes made to the plan during the audit;

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<sup>1</sup> The February 2011 review was entitled "Mock Peer Review".

<sup>2</sup> The Inspector General Reform Act of 2008 changed the PCIE and Executive Council on Integrity and Efficiency (ECIE) to the Council of Inspectors General on Integrity and Efficiency (CIGIE).

- for two of the five projects, the audit report did not include a description of the sampling design and why it was chosen when sampling significantly supported the auditors' findings, conclusions, or recommendations; and
- for one of the five projects, the audit report did not clearly explain the audit's scope.

In addition, we determined that part of the quality assurance review was conducted using outdated professional standards. Specifically, the review was performed using the 2003 version of GAGAS, even though one of the five audits began after January 1, 2008. The July 2007 revision of GAGAS superseded the 2003 revision and became effective for performance audits beginning on or after January 1, 2008, and for financial audits for periods beginning on or after January 1, 2008.

## **February 2011 Quality Assurance Review**

There were three audits included in the quality assurance review. According to the DISA IG, the review was performed in preparation of the DOD OIG external quality control review. Also, two of the three findings and recommendations the DISA IG presented were not vital to ensure the audit organization was complying with its system of quality control and GAGAS. The findings and recommendations would not provide reasonable assurance that the audit organization is following applicable auditing standards and has established and is following adequate audit policies and procedures. The DISA IG's findings were:

- the Audit Handbook did not contain an organization chart, training matrix, or hiring/training policies and procedures applicable to 511 series;
- lack of electronic workpapers impeded the review and management control process of the Mock Peer Review; and
- some discrepancy between numbering of workpapers.

Furthermore, of the three audits reviewed as part of the DISA IG's quality assurance review, one was selected and examined by the DOD OIG as part of this external quality control review. It was the Audit of Travel Vouchers Through the Defense Travel System. The DOD OIG review team's assessment disclosed deficiencies that the DISA IG did not. Specifically, the deficiencies included:

- the audit plan was not updated to reflect changes made to the plan during the audit;
- the audit team did not develop the elements of a finding necessary to address the audit objectives (did not perform procedures to identify the reason or explanation for a condition that was identified);
- a finding in the audit report was inadequate (the effect was not adequately stated);
- the audit report did not clearly explain the audit's scope, including the kinds and sources of evidence used;
- the audit report did not clearly explain the criteria used; and
- the independent reference review (IRR) certification for the final report was not signed by the Assistant Inspector General for Auditing (AIGA).

# Recommendation, Management Comments, and Our Response

## Recommendation

We recommend that the Director, DISA:

2. Establish a 2-year plan for both audit offices to review audits for compliance with internal quality assurance policies and procedures and GAGAS.

## Management Comments

The Inspector General, DISA concurred. The DISA IG audit organization will conduct its annual quality assurance assessment in compliance with GAGAS and the revised Audit Handbook. Due to the small size of the Audit Division, an internal auditor will perform the quality assurance assessments, and the Audit Handbook will be updated to reflect this change.

## Our Response

The management comments are responsive. When completed, we request the Inspector General, DISA, to provide us with a copy of the revised Audit Handbook.

## Nonaudit Services

### ***Nonaudit Services Performed With No Evaluation of Potential Independence Impairments***

During the period under review, the DISA IG audit organization performed three nonaudit services and no formal documentation was prepared for evaluating potential independence impairments for any of the nonaudit services. As a safeguard to ensuring that independence is not impaired by performing a nonaudit service, GAGAS 3.30 states the audit organization should document its consideration of the nonaudit services, including its conclusions about the impact on independence. The Audit Handbook states that documentation for nonaudit services must include evidence of analysis showing that the seven safeguards to independence were satisfied. The seven safeguards are:

- document rationale that providing the nonaudit service does not violate the two overarching principles<sup>3</sup>;
- establish and document an understanding with the audited entity regarding the objectives, scope of work, and product or deliverables of the nonaudit service, including an understanding that management is responsible for the results of the service;

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<sup>3</sup> The DISA IG Audit Handbook is referring to the two overarching principles which are identified in GAGAS 3.22 (July 2007 Version of GAGAS). The two overarching principles are (1) audit organizations must not provide nonaudit services that involve performing management functions or making management decisions and (2) audit organizations must not audit their own work or provide nonaudit services in situations in which the nonaudit services are significant or material to the subject matter of the audits.

- preclude personnel who perform nonaudit services from performing any related audit work (can be waived if less than 40 hours of work is performed);
- ensure that the scope and extent of audit work is not reduced beyond the level that would be appropriate if another unrelated party performed the nonaudit work;
- establish a quality control system that includes policies and procedures to consider the effect on ongoing, planned, and future audits and require a documented understanding with the audited entity management;
- communicate to the audited entity management that the audit organization will not be able to perform subsequent related audit work; and
- disclose related nonaudit service to peer reviewers, and make available the project documentation required.

## Professional Judgment

### ***Failure to Exercise Sufficient Professional Judgment***

GAGAS 3.31 states that auditors must use professional judgment in planning and performing audits and in reporting the results. GAGAS 3.35 states that using professional judgment in all aspects of carrying out their professional responsibilities, including following the independence standards and maintaining appropriate quality control over the assignment process is essential to performing and reporting on an audit. In addition to the noncompliances in planning, performing and reporting in each of the four audits reviewed, we also found noncompliances in 3 of the 4 audits in the independence standards area and in each of the 4 audits in the quality control standards area. The Audit Handbook states that all auditors are responsible for complying with GAGAS while carrying out their audit work and must justify any departures from GAGAS. We determined that the DISA IG audit organization did not exercise professional judgment due to the array of noncompliances found in the majority of auditing standards areas including quality control and assurance, supervision, evidence, documentation, reporting, independence, planning, and the use and application of GAGAS. The GAGAS areas where the audit organization lacked professional judgment are included in the table below and discussed in detail throughout this report.



**DISA IG Audit Organization's Noncompliances with GAGAS and System of Quality Control**

Audits Reviewed (By Report Number)	Independence	Quality Control	Planning	Performing: Audit Evidence and Documentation	Performing: Supervision	Reporting
2011-02, Compliance with Requirements for Item Unique Identification (IUID) Clauses in Supply Contracts	X	X	X	X	X	X
2011-01, Operational Support Systems Issues	X	X	X		X	X
2009-06, Travel Vouchers Through DTS		X	X	X		X
2009-01, Incoming MIPRs at DITCO Scott	X	X	X			X

The table above depicts both significant deficiencies and deficiencies in multiple standards areas which evidences a lack of professional judgment as defined in GAGAS 3.31 and 3.35. While the significant deficiencies associated with the DISA IG audit organization's noncompliance with its system of quality control serve as the basis for the fail opinion, this table also includes noncompliances discussed in Appendix C to capture the lack of professional judgment in all aspects related to the professional responsibilities of DISA auditors. We evaluated professional judgment across the four audit projects reviewed, and the deficiencies coupled with the lack of an adequate quality assurance program and issues related to nonaudit services from an independence and reporting perspective.

## **Supervision**

### ***There was No Evidence of Initial or Final Supervisory Reviews of Workpapers that Supported Findings and Conclusions***

For one of the four projects reviewed, we determined that several GAGAS and Audit Handbook requirements pertaining to supervision were not followed because there was no evidence of initial or final supervisory reviews of the audit work performed during the fieldwork phase. For the “Audit of DISA Compliance with Requirements for IUID Clauses in Supply Contracts,” Report No. 2011-02, there was no evidence of initial supervisory reviews for the workpapers prepared to support the first audit finding and conclusions contained in the audit report and no evidence of final supervisory reviews for the workpapers prepared to support the second audit finding and conclusions contained in the audit report.

GAGAS 7.52 states that audit supervisors or those designated to supervise auditors must properly supervise audit staff and GAGAS 7.80c states that auditors should document evidence of supervisory review, before the audit report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the audit report. Further, GAGAS 7.79 states that the process of preparing and reviewing audit documentation contributes to the quality of an audit. Audit documentation serves to: (1) provide the principal support for the auditors’ report; (2) aid auditors in conducting and supervising the audit; and (3) allow for the review of audit quality. In addition to GAGAS, the Audit Handbook states the first and primary element for ensuring the quality of audits is supervisory review of the project documentation and supervisory review should be evident throughout the audit phase. The Audit Handbook also states that supervisory signatures or initials on documentation, throughout the audit, will be considered sufficient documentary evidence meeting the supervision fieldwork standard.

We found no evidence of any supervisory reviews for the 50 workpapers that detailed the audit team’s analysis of the 50 sample items tested for the first finding. Also, for the second finding, of the 29 analysis and summary workpapers prepared to support the testing of all 318 sample items, there was no evidence of final supervisory reviews. We found that after their initial reviews, supervisors provided comments to the preparer of the workpapers, but there was no evidence that supervisors reviewed the workpapers again to determine whether the actions taken by the preparer were sufficient.

Furthermore, supervisors did not complete the IRR process for the audit. During the IRR process for the draft report, it was noted by the reviewer that the majority of the workpapers were not reviewed and signed by the supervisors. This IRR deficiency was never corrected and the supervisors did not sign off on the IRR certification.

### ***Additional Deficiency in Audit Supervision***

For the Audit of Operational Support Systems Issues, we identified where a working paper supporting the findings, conclusions, and recommendations did not include evidence of supervisory review and approval prior to final report issuance. Specifically, there was no documentation of supervisory review for the summary workpaper that supported the second

finding. Overall, there was evidence of supervisory reviews throughout the audit, but this deficiency was noted due to the significance of the workpaper to the audit report.

## **Audit Evidence and Documentation**

### ***Auditors Did Not Obtain Sufficient and Appropriate Audit Evidence***

For the “Audit of DISA Compliance with Requirements for IUID Clauses in Supply Contracts,” Report No. 2011-02, the auditors did not obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions. GAGAS 7.55 states auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions, and GAGAS 7.56 states the concept of sufficient, appropriate evidence is integral to an audit. The Audit Handbook states that the information and evidence assembled and the conclusion developed must form a sound basis for the findings and recommendations and, therefore, must be supported by sufficient, competent, and relevant evidence. Also, the Audit Handbook states a record of the evidence should be in the form of project documentation.

For the IUID audit, 93 percent of the testing results for the second finding were not supported by sufficient and appropriate documentation. Specifically, of the 287 serial numbers/assets tested to determine whether they were registered in a database, 257 were found not to be registered, and even though database extracts were available for these exceptions, the audit team did not include this information in the audit project file.<sup>4</sup> Also, there was no consistency pertaining to the documentation that was maintained as evidence. For example, of the 30 serial numbers/assets found to be registered, 19 were supported by printouts from the database. In addition, in some instances, the audit team used e-mails with handwritten notes as supporting documentation.<sup>5</sup> The auditors wrote “Yes” and “No” on the e-mails to state whether or not a serial number was registered. GAGAS A7.02 (Appendix I) states that the strength and weakness of each form of evidence depends on the facts and circumstances associated with the evidence and professional judgment in the context of the audit objectives. Documentary evidence, such as database extracts, is a stronger form of evidence.

Due to the absence of sufficient and appropriate audit evidence, we determined that the report’s conclusions were not adequately supported. For future audits, DISA IG auditors should ensure that in assessing evidence, they evaluate whether the evidence taken as a whole is sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions.

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<sup>4</sup> Database extracts stating “No Records Found” were available if serial numbers/assets were not registered.

<sup>5</sup> The e-mails were correspondences where the auditors requested and/or received the serial numbers.

## Reporting

### ***Letter Report Asserted a Nonaudit Service Was Conducted in Accordance with GAGAS***

The DISA IG issued a Letter Report to discuss the results of a nonaudit service and included the unmodified GAGAS compliance statement in the report, which violated GAGAS 1.33. GAGAS 1.33 states that auditors must not report that a nonaudit service was conducted in accordance with GAGAS. Further, the Audit Handbook states that when the Assistant IG issues a report on a nonaudit service, the report must clearly indicate that the work was not done according to GAGAS.

The Letter Report was issued for the Data Mining of DISA Government Travel Card Program (Project No. 2010-H-301) in August 2010. The project initially began as an audit, but senior management decided to change the project to a review due to problems in correctly correlating data used. According to the Assistant Inspector General for Auditing, DISA IG auditors found the data received from a particular source to be unreliable because some information was missing from the database. Also, DISA IG auditors found causes for some of the omissions, but not all of them. Because using the particular database would result in false positives, DISA IG auditors did not report any findings or recommendations.

The DISA IG Audit Handbook does not contain policies and procedures for issuing a Letter Report. This is the only instance where the DISA IG issued a Letter Report.

## Recommendation, Management Comments, and Our Response

### **Recommendation**

**We recommend that the Director, DISA:**

- 3. Issue a memorandum to the recipient of the Letter Report: Data Mining of DISA Government Travel Card Program (Project No. 2010-H-301), August 10, 2010, to state that the nonaudit service provided was not performed in accordance with GAGAS.**

### **Management Comments**

The Inspector General, DISA concurred. A memorandum to the recipient of the Letter Report: Data Mining of DISA Government Travel Card Program (Project No. 2010-H-301), August 10, 2010 will be issued to state that the nonaudit service provided was not performed in accordance with GAGAS.

### **Our Response**

The management comments are responsive. When completed, we request the Inspector General, DISA, to provide us with a copy of the memorandum that was issued.

## **Appendix C. GAGAS Noncompliances Warranting Disclosure Due to Their Importance to the Quality Control System**

The DISA IG audit organization's performance during the audits showed evidence of noncompliance in five additional GAGAS areas pertaining to audit evidence and documentation, reporting, independence, planning, and quality control. These five areas of noncompliance were not considered to be significant and did not affect the opinion rendered, but due to their relative importance to the audit organization's system of quality control, they warrant disclosure.

For each of the five areas, the auditors did not:

- audit evidence and documentation
  - properly develop the elements of a finding;
- reporting
  - adequately present the elements of a finding, and
  - adequately explain the audit's scope and methodology;
- independence
  - complete a Statement of Independence, and
  - assess the independence of a specialist;
- planning
  - update audit programs to reflect changes,
  - obtain an understanding of the qualifications of a specialist, and
  - approve audit plans in accordance with procedures established in the quality control system; and
- quality control
  - comply with independent reference review policies and procedures.

### ***All Elements of a Finding Were Not Sufficiently Developed***

For the Audit of Travel Vouchers Through the Defense Travel System, we identified a deficiency where the audit evidence and documentation was not sufficient to address the audit objectives and to support the findings and conclusions. Specifically, the auditors did not properly develop the elements of a finding necessary to address the audit objectives.

GAGAS 7.72 states auditors should plan and perform procedures to develop the elements of a finding necessary to address the audit objectives, and a finding or set of findings is complete to the extent that the audit objectives are addressed. The Audit Handbook states that during the fieldwork phase of a performance audit, the team should collect, analyze, interpret, and document the information and evidence needed to accomplish the audit objectives and to support the audit results and conclusions.

For the Audit of Travel Vouchers through the Defense Travel System, a secondary objective was to determine whether vouchers had required supporting documents and expenses were supported by receipts when required. The audit team did not perform procedures to identify the reason or explanation for a condition nor establish a clear, logical link to establish the impact or potential



impact of the difference between the situation that existed and the required or desired state. For example, one of the conditions that existed was that travel vouchers (38 of 196 travel vouchers) within the travel system were missing required receipts; travelers sought payments totaling approximately \$28,600 in travel expenses that were not substantiated. It was implied by the recommendation in the audit report that the travel receipts were missing because they were not properly uploaded into the system by the travelers. There was no evidence in the workpapers to indicate that DISA IG auditors evaluated whether travelers did not comply with the requirements for uploading travel receipts, nor was it confirmed that travelers failed to properly upload the travel receipts into the system. A root or underlying cause for the missing receipts was never supported.

## **Reporting**

### ***Findings in Audit Reports Were Inadequate***

DISA IG's audit reports were not presented with a clear and concise summarization of the audit findings and conclusions. For three of the four projects we reviewed (the Audit of Operational Support System Issues, the Audit of Travel Vouchers through DTS, and the Audit of Incoming MIPRs at DITCO Scott), the audit report contained findings which were not adequately developed. GAGAS 8.14 states clearly developed findings assist management or oversight officials of the audited entity in understanding the need for taking corrective action. The Audit Handbook states that the finding summary paragraphs should summarize the finding by highlighting condition, cause, and effect; be concise; and give the reader a general understanding of the problem(s) and foreshadow the need for recommended action(s).

For the Audit of Operational Support Systems Issues, two of the three findings' elements were not sufficiently developed. For example, there was no effect provided for Finding B; the audit team did not describe the consequences of the actions taken, particularly when the results showed variation from regulations. In Finding C, the condition was actually the cause and the effect was the condition. Specifically, the audit report stated the following:

Finding C: Circumstances of Netcool Software Acquisition were Wasteful

NS8 initiated a purchase request for Micromuse Netcool Software (Netcool software) in September 2006, prior to completing the required architectural design and implementing strategy (Condition). Thus, NS8 expended more than three years of funds in unused licenses and maintenance fees, prior to installing the Netcool software in June 2008 and making the software operational in December 2009 (Effect). These conditions occurred because NS8 originally sought to avoid losing \$724,256 in procurement funds set to expire in FY 2006. As a result, NS8 expended \$3,684,129 for Netcool Software licenses and annual maintenance fees for FY 2006 through FY 2009 for software that went unused from its acquisition in FY 2007 to June 2008 (Effect). This purchase did not provide the best value for the Government and precluded DISA from expending these procurement funds on other validated requirements.

For the Audit of Travel Vouchers Through the Defense Travel System, one of the four findings was not sufficiently developed. Specifically, the effect was not adequately stated in Finding Three. The audit report stated that because individuals were not able to provide copies of documentation detailing their job-related duties and responsibilities, they may not know how to properly perform their duties. A more appropriate effect would have been that the individuals may not know what duties they are to perform. Since the effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks, auditors should ensure that the effect is concise.

For the Audit of Incoming MIPRs at DITCO Scott, both of the finding summary paragraphs did not include the causes and effects. While the causes and effects were sometimes identified in the following discussion sections related to the findings, omission of the cause and effect in the finding summary paragraphs did not meet Audit Handbook requirements. According to the Regional IG at DISA, the summary finding paragraphs for the audit report were prepared in accordance with guidance received from senior management in October 2008. Senior management presented a new format as to how the summary finding paragraph should be constructed, which did not include the cause and effect. Instead, the cause and effect were to be included in the sub-findings. The July 2007 version of the DISA IG Audit Handbook was never updated to include this new guidance.

### ***The Audit's Scope and Methodology Was Inadequately Explained***

The DISA IG did not adequately explain the audit's scope and methodology in the audit report for two of the four projects we reviewed. Specifically, the audit reports did not clearly explain:

- the audit's scope, including the relationship between the population (universe) and the items tested (sample size);
- the audit's scope, including the kinds and sources of evidence used;
- how the audit's methodology and completed audit work supports the audit objectives, including the criteria used; and/or
- how the audit's methodology and completed audit work support the audit objectives, including when the sampling significantly supports the auditors' findings, conclusions, or recommendations, a description of the sampling design and why it was chosen.

GAGAS 8.11 states that auditors should describe the scope of the work performed and any limitations, including issues that would be relevant to likely users, so that they could reasonably interpret the findings, conclusions, and recommendations in the report without being misled. The Audit Handbook states that the report must address the objectives, scope, and methodology or approach used in conducting the audit. The scope and methodology used for achieving the audit objectives are usually included in Appendix A of the audit report. In addition, if sampling was used, the team should describe the sample design and why it was chosen. The description should include the size of the sample and the dollar value associated with it, if appropriate. They should also fully discuss sampling plan and sample results, but avoid presenting complex statistical analyses and formulas. Further, the Audit Handbook states GAGAS requires that the team should explain the evidence gathering and analytical techniques in sufficient detail to allow knowledgeable users of their reports to understand how the auditors answered the audit objective. Specific examples of the deficiencies in explaining the audit's scope and methodology are detailed in the table that follows.

Audit Project	Listing of Deficiencies in Explaining the Audit's Scope and Methodology
Audit of Compliance with Requirements for IUID Clauses in Supply Contracts (Project No. 2010-H-304)	<ul style="list-style-type: none"> <li>• The specific number of contracts (20) used for the second finding were not mentioned in Appendix A. Also, auditors did not clearly explain whether the 20 contracts were part of the 50 contracts used in the first finding.</li> <li>• The Contracting Officer Representative/Task Monitor database used to verify training requirements was not identified in Appendix A as kinds and sources of evidence used. A review of the database was completed as part of Finding B. The auditors found that some of the Contracting Officer Representatives/Task Monitors had not completed mandatory training.</li> <li>• For the second finding, Appendix A did not describe the sample designs or why they were chosen.</li> </ul>
Audit of Travel Vouchers Through the Defense Travel System (Project No. 2009-H-301)	<ul style="list-style-type: none"> <li>• Appointment records and training documents obtained and reviewed were not identified in Appendix A as kinds and sources of evidence used. The review of these documents was discussed in Finding Three. Specifically, the auditors found that Authorizing Officials and Certifying Officials did not maintain copies of appointment letters as required by the DoD Financial Management Regulation. Also, the Authorizing Officials and Certifying Officials did not provide requested training documentation so that the auditors could verify that training requirements, as described in Public Law 104-106, were met.</li> <li>• Public Law 104-106 was not properly defined in the audit report (Finding Three). This criteria should have been defined and supported in the report itself, not referenced in another criteria (Defense Travel Management Office Guide [DTMO]). Public Law 104-106 is the overarching criteria and the DTMO Guide implements it.</li> </ul>

## Independence

### ***Auditors and Specialist Did Not Certify their Independence***

For two of the four audits we reviewed, two of the eight auditors assigned to the projects did not complete a Statement of Independence. Also, for one of the four audits, the audit team did not ensure that a statistician completed a Statement of Independence. GAGAS 3.02 states that in all matters relating to the audit work, the individual auditor must be free from personal, external, and organizational impairments to independence. GAGAS 3.05 states when auditors use the work of a specialist, auditors should assess the specialist's ability to perform the work and report results impartially as it relates to their relationship with the program or entity under audit. The Audit Handbook states that all employees, including technical experts assigned to audits must certify their independence or impairment to independence for each project. Whether or not a

person is directly charging time to a project, that person must certify their independence by completing the Statement of Independence.

For the Audit of Compliance with Requirements for IUID Clauses in Supply Contracts, one of the five auditors assigned to the project did not complete a Statement of Independence. In addition, for the Audit of Operational Support Systems Issues, one of the three auditors assigned to the project did not complete a Statement of Independence. Also, for this audit, a supervisor did not sign a team member's Statement of Independence as required by the Audit Handbook, which states that the next level supervisor (Project Leader or Assistant IG) reviews and signs the Statement of Independence. By signing the Statement of Independence, supervisors agree that it appears that no personal or external impairments to independence exist.

For the Audit of Incoming MIPRs at DITCO Scott, a statistician who the audit team collaborated with did not complete a Statement of Independence. One of the factors that helped the auditors select the sample that was used for the audit was the statistician's suggestions.

## **Planning**

### ***Deficiencies in Audit Planning***

We found that all four of the projects reviewed lacked compliance with GAGAS and Audit Handbook requirements for audit planning. The deficiencies in audit planning were caused by a lack of:

- updating the audit program to reflect changes made to the plan during the audit;
- obtaining an understanding of the qualifications of a specialist; and
- approving audit plans in accordance with the procedures established in the quality control system.

### **Audit Plans Not Updated to Reflect Changes in Scope**

For two of the four projects, the audit program was not modified to reflect a change in the audit's scope. GAGAS 7.06 states that auditors must adequately plan and document the planning of the work necessary to address the audit objectives. Also, GAGAS 7.50 states auditors should update the plan, as necessary, to reflect any significant changes to the plan made during the audit. In addition, the Audit Handbook states if changes in the scope of the audit occur as the audit proceeds, the audit program should be modified to reflect the changes.

For the Audit of Operational Support Systems Issues, the audit program was not modified as required by the Audit Handbook to reflect a change in the total number of contracts in the universe the audit team used to pull a judgmental sample. Initially, the universe contained 34 contracts valued at \$25.1 million. However, the universe changed from 34 contracts to 33 contracts, which were valued at \$24.9 million.

For the Audit of Travel Vouchers Through the Defense Travel System, the audit program was not updated to reflect a change regarding whose (civilian versus military) travel vouchers the audit team would review. Management initially decided that only the travel documents of



civilian personnel would be reviewed, but it was later decided upon to review the travel documents of military personnel as well.

### **Qualifications of Specialist Not Assessed**

For one of the four projects, the auditors did not assess the qualifications of an external specialist that assisted in performing the audit. GAGAS 3.49 states that auditors who use the work of external specialists should assess the professional qualifications of such specialists and document their findings and conclusions. The Audit Handbook states auditors who use the work of specialists should document that the specialists are qualified in their areas of specialization.

One of the factors that helped the auditors select the sample that was used for the Audit of Incoming MIPRs at DITCO Scott was a statistician's suggestions. The audit team sought confirmation from the statistician regarding potential confidence levels, error rates, and sample sizes to be considered for the audit. An external specialist's qualifications should be assessed to verify their professional qualifications in their field of work.

### **Audit Programs Not Approved in Accordance with Policies and Procedures**

For two of the four projects, Audit of Compliance with Requirements for IUID Clauses in Supply Contracts and Audit of Operational Support Systems Issues, the audit program was not approved in accordance with the Audit Handbook. The Audit Handbook states the DISA IG must approve the written audit program before the beginning of the audit verification phase by signing off on the plan either electronically or hardcopy signature. Although there was documentation where the audit approach was discussed with senior management, there was no evidence of final approval of the audit plan because senior management did not sign off on the plan either electronically or hardcopy signature.

### **Additional Quality Control Policies and Procedures**

Inputs to the quality control system at the DISA IG include independent reference reviews and the use of project technical checklists, which should be applied to most projects. These measures help to ensure that products issued are accurate, complete, and logical, and provide reasonable assurance that the audit organization has adopted and is following applicable auditing standards, and has established and is following adequate audit policies and procedures.

For three of the four projects we reviewed, we identified several deficiencies related to the audit organization's independent report referencing process and use of project quality control checklists-performance audits. The majority of the deficiencies revolved around the independent reference review process, which can have an adverse effect on the overall process.

### ***Deficiencies in the Independent Reference Review Process***

The Audit Handbook provides policy and guidance for quality control independent referencing reviews of audits the AIGA conducts. It implements portions of GAGAS on professional judgment, quality control, and reporting. The Audit Handbook states that independent referencing is an integral part of the audit quality control process that helps to ensure that the draft and final reports are accurate and adequately supported by the audit documentation.

For three of the four projects, we identified several instances where DISA IG auditors did not comply with the DISA IG's IRR policies and procedures for performance audits. The following table specifies the noncompliances that were identified.

<b>Audit Project</b>	<b>Listing of Deficiencies Identified for the IRR Process</b>
Audit of Compliance with Requirements for IUID Clauses in Supply Contracts (Project No. 2010-H-304)	<ul style="list-style-type: none"> <li>• AIGA did not sign IRR certification for the draft report.</li> <li>• Performance Branch Chief/Project Leader did not sign the IRR certification prior to the issuance of the draft report. The Chief/Project Leader's electronic signature was affixed on June 9, 2011. The date of the draft report was December 7, 2010.</li> <li>• The independent reference reviewer did not note on the IRR Sheet (draft report) that the audit program was not properly completed, and signed by the Assistant IG and Project Leader. In addition, the independent reference reviewer did not verify that an approved written audit program existed.</li> <li>• The Project Leader did not ensure that the underlying project documentation supporting the report was reviewed before the IRR began.</li> </ul>
Audit of Operational Support Systems Issues (Project No. 2010-H-303)	<ul style="list-style-type: none"> <li>• The independent reference reviewer did not verify that an approved written audit program existed.</li> <li>• The independent reference reviewer did not note that some of the project documentation did not have evidence of supervisory review.</li> <li>• Project Leader did not ensure that the underlying project documentation supporting the report was reviewed before the IRR began.</li> <li>• AIGA did not sign IRR certification for the draft report.</li> <li>• AIGA and the Project Leader did not sign IRR certification for the final report.</li> <li>• The final report was not fully referenced. Specifically, the cross-referenced final report did not contain the Management Comments (the sections after each individual finding was discussed).</li> </ul>
Audit of Travel Vouchers Through the Defense Travel System (Project No. 2009-H-301)	<ul style="list-style-type: none"> <li>• The AIGA did not sign the IRR certification for the final report.</li> </ul>

### ***Reference Reviews at the Regional Office***

Due to limited staff assigned to the regional office, the office did not conduct IRRs. The Regional IG supervised the audit work, performed reference reviews for the audit reports, and ensured quality control on all projects.

For the one project we reviewed at the regional office, the Audit of Incoming MIPRs at DITCO Scott, we identified areas within the reference review process that need improving to ensure that audit reports are fully supported. For example, we identified instances where references used to support the audit report lacked pertinent information and further explanations were required. Although these instances were noted, they did not make the audit report unreliable; an independent evaluation of the completeness and accuracy of the evidence used to support the report may have revealed the reference deficiencies we noted. Examples of the reference deficiencies included:

- summary workpaper (Purpose section) used to show analysis performed for both of the audited entities only identified one entity, not both;
- an example used to support a minor concern the auditors identified was not referenced;
- numbers used in a table in the report were not found in the reference provided; and
- a reference provided did not support the statement in the report.

### ***Use of Project Quality Control Checklists***

For one of the four audits we reviewed, the Audit of Operational Support Systems Issues, the Project Quality Control Checklist was not signed by the Branch Chief. Supervisors and team leaders use the Project Quality Control Checklists throughout the course of audits as a reminder of GAGAS requirements for project planning, supervision, project documentation, and reporting. The Audit Handbook states that at the conclusion of each project, the checklist is to be signed by the Branch Chief and the Auditor-in-Charge. The Branch Chief's signature confirms that they have completed the checklist and all requirements of the checklist have been met.

## **Recommendations, Management Comments, and Our Response**

### **Recommendations**

**We recommend that the Director, DISA:**

- 4. Take action to improve the audit organization's understanding and compliance of the following GAGAS standards: professional judgment, supervision, audit evidence, audit documentation, reporting requirements, performing and reporting on nonaudit services, independence, and planning.**

### **Management Comments**

The Inspector General, DISA concurred. In-house training will be provided in coordination with updates to the Audit Handbook.

### **Our Response**

The management comments are responsive. We request the Inspector General, DISA, to provide us with a copy of the training syllabus and curriculum to ensure ourselves all standards covered by this recommendation are adequately addressed.

5. **Reevaluate the audit organization's goal to complete audits within 180 days. While we cannot definitively conclude that the 180-day timeframe resulted in the significant deficiencies and additional deficiencies we identified, this timeframe may not be reasonable and may have an effect on the audit organization's operations and ability to comply with GAGAS.**

### **Management Comments**

The Inspector General, DISA concurred. The current goal of completing audits within 180 days will be reevaluated.

### **Our Response**

The management comments are responsive. We request the Inspector General, DISA, to provide us with a copy of the evaluation plan for audit completion timeframes.

6. **Ensure audit management incorporates guidance, such as the new format for presenting summary finding paragraphs in audit reports, and any other audit and reporting practices that have already been implemented, into the Audit Handbook.**

### **Management Comments**

The Inspector General, DISA concurred. Guidance from senior management will be incorporated in the next update to the Audit Handbook.

### **Our Response**

The management comments are responsive. When completed, we request the Inspector General, DISA, to provide us with a copy of the revised Audit Handbook.

## Appendix D. Summary of Interview Results Relating to DISA IG Audit Policies and GAGAS

We interviewed nine staff members of the DISA IG audit organization to determine their knowledge of DISA IG audit policies and GAGAS. The interviews consisted of questions related to the DISA IG audit policies and GAGAS, fieldwork standards, and reporting standards. A summary of the results of the responses received follows:

<b>Areas Pertaining to DISA IG Audit Division Policies and GAGAS Standards</b>	<b>Responses to Questions</b>
1. Awareness of DISA IG Audit Policies	All staff were aware of the audit policies.
2. Compliance with GAGAS	Most staff stated that their work complied with GAGAS standards.
3. Independence	Most staff did not encounter any external or organizational independence impairments when performing their work.  All staff stated that they did not perform any nonaudit services that could impact independence.
4. Competence	Staff responses indicated that the competency requirement was fulfilled.
5. Quality Control and Assurance	Depending on years of auditing experience and length of employment at the DISA IG, answers varied from extensive to minimal understanding of quality control procedures.
6. Planning (Key Decisions)	Staff involved with audit planning documented key planning decisions and communicated with the client throughout the planning phase.
7. Planning (Fraud)	Staff performed risk assessments for the audit programs.
8. Supervision	All staff stated that they received or provided adequate supervision.
9. Audit Documentation	Staff provided examples of processes performed to ensure that audit reports are properly supported.
10. Evidence	Staff provided examples of actions to ensure that audit evidence is supported in the final report.
11. Reporting (Timeliness)	The audit organization's goal is to complete audits within 180 days.

## Appendix E. Scope and Methodology

We reviewed the adequacy of the DISA IG audit organization's compliance with their quality control policies, procedures, and GAGAS. We reviewed three audits at DISA IG Headquarters and one audit at the Regional Office.

We reviewed the adequacy of the design of policies and procedures that the DISA IG audit organization established to provide reasonable assurance of compliance with GAGAS in the conduct of its audits and attestation engagements. The DISA IG Audit Handbook, July 2007 version, was the policy and guidance document that was reviewed.

In performing our review, we considered the requirements of quality control standards and other auditing standards contained in the 2007 Revision of GAGAS issued by the Comptroller General of the United States. GAGAS 3.56 states:

The audit organization should obtain an external peer review sufficient in scope to provide a reasonable basis for determining whether, for the period under review, the reviewed audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards.

We performed this review from March 2011 through October 2011 in accordance with standards and guidelines established in the March 2009 Council of the Inspectors General on Integrity and Efficiency "Guide for Conducting External Peer Reviews of Audit Organizations of the Federal Offices of Inspector General." In performing this review, we assessed, reviewed, and evaluated:

- the adequacy of the design of policies and procedures that the DISA IG audit organization established to provide reasonable assurance of compliance with GAGAS in the conduct of its audits and attestation engagements;
- staff understanding of quality control policies and procedures;
- independence documentation and records of continuing professional education to verify the measures that enable the identification of independence impairments and maintenance of professional competence;
- independence safeguards for nonaudit services; and
- four audit reports and related project documentation to determine whether established policies, procedures, and applicable standards were followed.

We selected four reports from a universe of 14 reports issued by the DISA IG during FY 2009, FY 2010, and until March FY 2011. We tested the four projects for compliance with the DISA IG audit organization's system for quality control for audits and attestation engagements. Also, we performed a minimal review of the project documentation for one additional project in which a Letter Report was issued.

In selecting the reports, we worked with the DISA IG audit organization to establish the universe of reports that were issued during the review period. We then selected reports that were representative of the types of reviews completed. The DISA IG did not issue any financial audit reports during the review period.

The following table identifies the specific reports we reviewed at both audit offices. The “Type of Review” column contains information that was determined by the report GAGAS compliance statement and/or type of review described in the final report.

<b>Audit Office</b>	<b>Report Title, Number, Issue Date</b>	<b>Type of Review</b>
<b>DISA IG Headquarters</b>	2011-02, “Audit of Compliance with Requirements for Item Unique Identification Clauses in Supply Contracts,” February 3, 2011	Performance
	2011-01, “Audit of Operational Support Systems Issues,” December 17, 2010	Performance
	2009-06, “Audit of Travel Vouchers Through the Defense Travel System,” August 25, 2009	Performance
<b>DISA IG Regional Office</b>	2009-01, “Audit of Incoming MIPRs at DITCO Scott,” November 13, 2008	Performance

### ***Limitations of Review***

Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of noncompliance because we based our review on selective tests. There are inherent limitations in considering the potential effectiveness of any quality control system. Departures from GAGAS can result from misunderstood instructions, mistakes in judgment, carelessness, or other human errors. Projecting any evaluation of a quality control system is subject to the risk that one or more procedures may become inadequate because conditions may change or the degree of compliance with procedures may deteriorate.

# Defense Information Systems Agency Comments



DEFENSE INFORMATION SYSTEMS AGENCY  
P. O. BOX 549  
FORT MEADE, MARYLAND 20755-0549

IN REPLY  
REFER TO

Inspector General (IG)

**JUL 11 2012**

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR POLICY AND  
OVERSIGHT, OFFICE OF THE INSPECTOR GENERAL,  
DEPARTMENT OF DEFENSE

SUBJECT: Response to Department of Defense Inspector General (DoDIG) Draft Report -  
*Quality Control Review of the Defense Information Systems Agency Audit  
Organization*, dated June 27, 2012 (Project No. D-2011-DIP0AI-0190.000)

1. The DISA IG has reviewed the draft report referenced above and provides comments as enclosed. We thank the Department of Defense Inspector General audit team for the opportunity to participate in this peer review.
2. We look forward to working with you and your staff in the future. Any questions your staff have concerning matters for the recommendations should be directed to Ms. Barbara Wright, (301) 225-6218, [barbara.s.wright.civ@mail.mil](mailto:barbara.s.wright.civ@mail.mil). Please do not hesitate to contact her should you need to further discuss this matter.

Enclosure a/s

  
KRISTOPHER F. MILTNER  
Inspector General



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Defense Information System Agency (DISA) Office Inspector General (OIG) responses  
to the Draft Report for *Quality Control Review of the Defense Information Systems  
Agency Audit Organization*, June 27, 2012  
(Project No. D-2011-DIP0AI-0190.000)

**DODIG RECOMMENDATIONS:**

**RECOMMENDATION 1.** Update the Audit Handbook to include policies and procedures that:

**1.a.** Explain the process for notifying the entity management when an impairment to independence is identified after the audit report is issued.

**DISA IG RESPONSE: *Concur***

DISA IG will explain the process for notifying the entity management when an impairment to independence is identified after the audit report is issued in the Audit Handbook.

**Estimated Completion Date: October 31, 2012.**

**1.b.** Explain how the audit organization documents and tracks formal continuing professional education and training.

**DISA IG RESPONSE: *Concur***

DISA IG will explain how the audit organization documents and tracks formal continuing professional education and training in the Auditor Handbook.

**Estimated Completion Date: October 31, 2012.**

**RECOMMENDATION 2:** Establish a 2-year plan for both audit offices to review audits for compliance with internal quality assurance policies and procedures and GAGAS.

**DISA IG RESPONSE: *Concur with Comment***

DISA IG will conduct its annual quality assurance assessment in compliance with GAGAS and the revised Audit Handbook. Due to the small size of the Audit Division, an internal auditor will perform the quality assurance assessments, and we will update the audit handbook to show this change.

**Estimated Completion Date: We will conduct the next quality assurance review in October 2012.**

**FOR OFFICIAL USE ONLY**

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Defense Information System Agency (DISA) Office Inspector General (OIG) responses  
to the Draft Report for *Quality Control Review of the Defense Information Systems  
Agency Audit Organization*, June 27, 2012  
(Project No. D-2011-DIP0AI-0190.000)

**RECOMMENDATION 3:** Issue a memorandum to the recipient of the Letter Report:  
Data Mining of DISA Government Travel Card Program (Project No. 2010-H-301),  
August 10, 2010, to state that the nonaudit service provided was not performed in  
accordance with GAGAS.

**DISA IG RESPONSE: *Concur***

DISA IG will issue a memorandum to the recipient of the Letter Report: Data Mining of  
DISA Government Travel Card Program (Project No. 2010-H-301), August 10, 2010, to  
state that the non-audit service provided was not performed in accordance with GAGAS.

**Estimated Completion Date: August 31, 2012**

**RECOMMENDATION 4:** Take action to improve the audit organization's  
understanding and compliance of the following GAGAS standards: professional  
judgment, supervision, audit evidence, audit documentation, reporting requirements,  
performing and reporting on non-audit services, independence, and planning.

**DISA IG RESPONSE: *Concur***

DISA IG will provide in-house training in coordination with the update to the Audit  
Handbook.

**Estimated Completion Date: October 31, 2012**

**RECOMMENDATION 5.** Reevaluate the audit organization's goal to complete audits  
within 180 days. While we cannot definitively conclude that the 180-day timeframe  
resulted in the significant deficiencies and additional deficiencies we identified, this  
timeframe may not be reasonable and may have an effect on the audit organization's  
operations and ability to comply with GAGAS.

**DISA IG RESPONSE: *Concur***

DISA IG will reevaluate the current goal of completing an audit within 180 days.

**Estimated Completion Date: October 31, 2012.**

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Defense Information System Agency (DISA) Office Inspector General (OIG) responses  
to the Draft Report for *Quality Control Review of the Defense Information Systems*  
*Agency Audit Organization*, June 27, 2012  
(Project No. D-2011-DIP0AI-0190.000)

**RECOMMENDATION 6.** Ensure audit management incorporates guidance, such as the new format for presenting summary finding paragraphs in audit reports, and any other audit and reporting practices that have already been implemented into the Audit Handbook.

**DISA IG RESPONSE: *Concur***

DISA IG will incorporate guidance from senior management in the next update to the Audit Handbook.

**Estimated Completion Date: October 31, 2012**

**FOR OFFICIAL USE ONLY**



# Inspector General Department of Defense

